



# PRESS RELEASE

Federal Deposit Insurance Corporation • Each Depositor insured to at least \$250,000

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## **FDIC Approves Final Rule on the Definition of Deposit at Foreign Branches of U.S. Banks to Clarify That These Deposits are Not Insured by the FDIC**

FOR IMMEDIATE RELEASE

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today approved a final rule clarifying that deposits in foreign branches of U.S. banks are not FDIC-insured, even though they can be deposits for purposes of the national depositor preference statute enacted in 1993.

Currently, under the Federal Deposit Insurance Act, funds deposited in foreign branches of U.S. banks are not considered deposits, unless the funds are dually payable in the United States. A recent Consultation Paper by the United Kingdom's Prudential Regulation Authority (PRA), formerly Financial Services Authority, proposes that banks from non-European Economic Area countries that have depositor preference laws be prohibited from accepting deposits at their U.K. branches, unless the banks take steps to ensure that U.K. depositors are no worse off under depositor preference laws than the depositors in the home country if the bank fails. The PRA paper mentions that such efforts could include changing deposit account agreements to make U.K. branch deposits dually payable in the United States. As a result, some large U.S. banks will change their deposit agreements to make their U.K. branch deposits payable in both the United Kingdom and the United States to provide depositor preference to U.K. branch deposits. The final rule adopted today clarifies that these U.K. branch deposits are not FDIC insured.

"The final rule protects the Deposit Insurance Fund, while at the same time recognizing both the FDIC's commitment to maintaining financial stability through the prompt



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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payment of deposit insurance and the evolving nature of the global banking system," said FDIC Chairman Martin J. Gruenberg.

The final rule does not affect deposits in overseas military banking facilities governed by regulations of the Department of Defense. These funds will continue to be insured by the FDIC to the same extent that they have been.

**Attachment:**

[Final Rule on Definition of Deposit at Foreign Branches of U.S. Banks - PDF \(PDF Help\)](#)

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